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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-011514

DIRECT TESTIMONY OF

JON E. ELIASSEN

REPRESENTING AVISTA CORPORATION

1 Q. Please state your name, employer, and business address.

2 A. My name is Jon E. Eliassen. I am employed as Senior Vice President and Chief
3 Financial Officer by Avista Corporation at 1411 East Mission Avenue, Spokane, Washington.

4 Q. Would you briefly describe your educational and professional background?

5 A. I joined Avista Corporation in 1970 as a General Accountant after graduating
6 from Washington State University with a business degree. I then served in a number of
7 positions, including Financial Analyst, Financial Supervisor and Treasurer, before being named
8 Assistant Vice President of Finance and Treasurer in August 1985. I was appointed Vice
9 President of Finance and Chief Financial Officer in 1986 and was named to my current position
10 in August 1996.

11 I am a board member and Chair of the Western Energy Institute and am past president and
12 member of the Board of Directors of the Financial Executives Institute, Inland Northwest
13 Chapter, past member of Pacific Coast Gas Association, Edison Electric Institute and Western
14 Electric Power Institute.

15 Q. What is the scope of your testimony in this proceeding?

16 A. I will explain how the Company's proposal in this filing addresses the need for a
17 prompt prudence ruling to remove the uncertainty related to the ultimate recovery of the large
18 balance of deferred power costs. I will explain why the present uncertainty, if it is not addressed
19 by the Commission, will continue to adversely impact Avista's ability to complete required
20 financing in early 2002.

21 Q. Please summarize the Company's request in this filing.

22 A. In this filing, the Company requests that the Commission establish an expedited
23 procedural schedule, as soon as possible, to address the prudence of \$198.5 million of deferred

1 power costs at September 30, 2001, and to determine the definitive amount of those costs that
2 will ultimately be allowed for recovery. The Commission's Order, granting a 25% surcharge for
3 the period October 1, 2001 to December 31, 2002, is projected to provide \$71.3 million in cash
4 to offset the deferred power costs. The Commission also approved another \$53.8 million
5 reduction of the deferral balance using the non-cash balance sheet credit associated with the PGE
6 contract monetization benefits, for a total reduction in the deferred costs of \$125 million.
7 However, the recovery of these costs was approved on a "subject to refund" basis, pending the
8 outcome of a prudence filing to be made by the Company.

9 As I will explain more fully later in this testimony, rating agencies and lenders have
10 already taken actions that reflect the uncertainty surrounding the recoverability of these costs.
11 The Company is facing new financing challenges, which are being compounded by the
12 unfavorable environment created by the uncertainties, including:

- 13 ▪ Renewal of the \$220 million bank credit line that will expire in
14 May 2002.
- 15 ▪ Renewal of the \$90 million accounts receivable financing facility
16 that will expire in May 2002.
- 17 ▪ Funding capital expenditures and operations as needed to serve
18 customers.
- 19 ▪ The we may issue equity in 2002 to strengthen its balance sheet.

20 The recent downgrades in the Company's credit rating, together with continuing concerns
21 by rating agencies and lenders, make it necessary to resolve the uncertainty associated with the
22 deferred costs as soon as possible to improve the opportunity for the Company to renew credit
23 lines and issue equity.

24 Avista is not proposing an adjustment to retail rates in this filing. The Company proposes
25 that the scope of this case be limited to the determination of the prudence of \$198.5 million of

1 actual costs incurred and deferred by the Company for the period July 1, 2000 through September
2 30, 2001. The time period over which the dollars would be recovered, would then be addressed
3 in the general rate case to be filed by December 1, 2001. The Company's actual deferral balance
4 at September 30, 2001 is \$199.7 million. Included in that balance is \$1.2 million associated with
5 natural gas and diesel fueled small generation projects. The majority of the costs associated with
6 these small generation projects will be recorded subsequent to September 30, 2001. In order to
7 simplify the issues in this case, the Company is proposing to address the prudence and
8 recoverability of the costs associated with these projects in the upcoming general rate case.
9 Therefore, the Company is requesting that the Commission issue an order in this proceeding that
10 addresses the prudence and recoverability of \$198.5 million of the deferral balance. The
11 prudence of \$1.2 million remaining in the September 30, 2001 deferral balance would be
12 addressed in the general rate case. In addition, the prudence and ratemaking treatment of costs
13 deferred subsequent to September 30, 2001 would be addressed in the general rate case.

14 The Company requests that the Commission issue an order, on or before February 18,
15 2002, finding that the deferred costs of \$198.5 million, as of September 30, 2001, were prudently
16 incurred, and are recoverable by the Company. Such a ruling would resolve the uncertainty
17 surrounding the deferral balance. The Company has included extensive exhibits and workpapers
18 with this filing in an effort to expedite the audit process.

19 Q. Would you please provide a brief summary of the testimony of the other witnesses
20 representing Avista in this proceeding?

21 A. Yes. In addition to myself, the following witnesses are presenting direct testimony
22 on behalf of Avista.

1 Mr. Kelly Norwood, Vice President and General Manager of Energy Resources, will
2 explain the conditions that caused the Company to incur the increased power costs during the
3 period July 2000 through September 2001 (deferral period), and the efforts by the Company to
4 mitigate the costs. He will discuss the criteria previously adopted by this Commission related to
5 the determination of the prudence of the costs, and why the Company believes that the costs
6 deferred by the Company were prudently incurred and should be recovered by the Company.

7 Mr. Bill Johnson, Senior Power Supply Analyst, will describe the power cost deferral
8 mechanism, and will provide a breakdown of the factors causing the increase in power costs to
9 the Company.

10 Mr. Don Falkner, Senior Rate Accountant, will explain the increased costs already
11 absorbed by the Company associated with the low hydroelectric conditions and high wholesale
12 market prices, separate from the deferred power costs. He will also address the appropriateness
13 of the use of deferred accounting for the increased costs that have been incurred by the Company.

14 Mr. Ron McKenzie, Senior Rate Accountant, will address the accounting associated with
15 the power cost deferrals and the interest and retail revenue adjustment components of the deferral
16 mechanism.

17 Q. Why is an order necessary by mid-February if credit lines do not expire until May of
18 2002?

19 A. We will need time to complete the renegotiations of key terms, including covenants,
20 prior to the expiration of both the bank credit line and the accounts receivable financing facility.
21 We have already been notified by one bank that they will no longer commit to lend money to the
22 Company, even with the continuation of using first mortgage bonds to provide collateral support
23 for the line. It is critical that we take as much uncertainty off the table as soon as practicable to

1 allow the banks, their officers and their various credit committees to assess the risk in continuing
2 to lend money to Avista Corp. That process usually takes three months in good times. However,
3 when there are significant issues or concerns the banks have two choices: take longer to
4 determine covenants and credit support, or, drop out of the line. If we do not have banks willing
5 to lend to the Company on a reasonable basis to provide day-to-day liquidity, we will have to
6 resort to even more expensive sources of capital. If any of our existing banks drop out of the
7 line, we will need to try to find new banks to replace them and that would be even more difficult
8 than retaining the present banks with the extent of uncertainties.

9 Q. Please explain the significance of the need to renegotiate bank lines and accounts
10 receivable financing, as well as the need to issue new equity.

11 A. The Company's normal earnings and cash flows are somewhat cyclical. We usually
12 spend at a higher rate in the summer on capital projects, and collect higher revenues and have
13 higher cash flows when retail sales are up in the first and fourth quarters. We have been
14 impacted even more in recent years as the need for liquidity has increased for energy purchases to
15 meet daily, next day and short-term load requirements. In addition, we now must buy more
16 natural gas for turbine operation than ever before. Any purchase of energy or for turbine fuel or
17 any contract for pipeline capacity to provide natural gas transportation may require collateral, or
18 prepayments, given the Company's credit rating. The line of credit is our only source of
19 immediate cash for borrowing to meet these needs and for supporting the use of letters of credit.
20 We need a line of credit just to manage daily cash flow since the timing of cash receipts vs. cash
21 disbursements is never totally balanced.

22 We also need to plan longer term for the issuance of equity. In addition, we need to
23 improve earnings so that retained earnings can build the equity ratio. Longer term, utilities and

1 energy companies need to have access to capital markets to raise equity. We need additional
2 equity in the near term to reduce our debt ratio, improve interest coverage and provide capital to
3 continue to maintain and build new projects to meet our customers' demands for service. If we
4 cannot access the equity markets, in some reasonable period of time, we are again relying on
5 higher cost capital, and may be precluded from cost effectively financing the Company long
6 term.

7 Q. What actions have rating agencies taken since the Commission issued its Sixth
8 Supplemental Order in Docket UE-010395 on September 24, 2001 in Avista's surcharge case?

9 A. The three principal rating agencies that report on Avista's securities are Fitch,
10 Moody's Investor Services, and Standard & Poor's. Avista's unsecured debt is now rated below
11 investment grade by two of these three rating agencies. Exhibit __ (JEE-1) shows each rating
12 agency's most recent published reports regarding Avista after September 24, 2001.

13 On September 28, 2001, Fitch announced that they were affirming Avista's unsecured
14 rating of BBB- with a Negative Rating Outlook. In its comments, Fitch noted that the
15 Commission's September 24 surcharge order:

16 "... together with cost reduction measures undertaken by
17 management and available credit lines, should provide ample
18 liquidity over the near-to-intermediate term. However, the rate
19 order allowed only about 65% of AVA's deferred fuel balance as of
20 Sept. 30, 2001 and makes no provision for recovery of the
21 remaining balance. Of particular concern is the WUTC decision to
22 end the company's deferral mechanism as of Dec. 31, 2001."

23 Fitch's comments went on to emphasize the importance of the pending prudence review:

24 "The company is also required to file a general rate case by Dec. 1,
25 2001 that will review the prudence of the deferred power costs.
26 The outcome of the rate order is likely to have a significant impact
27 on AVA's credit quality and ratings."

1 On October 8, 2001, Moody's announced a downgrade of Avista's credit ratings,
2 including setting the unsecured debt rating at Ba1, which is below investment grade. Moody's
3 stated, in part:

4 "The downgrade of Avista's ratings is in response to concerns
5 about an expected longer period for financial recovery than had
6 originally been anticipated, as well as lingering regulatory
7 uncertainties in the state of Washington. The outlook for Avista's
8 ratings is negative, reflecting the still considerable challenges that
9 the company must overcome to restore earnings, cash flow, and
10 liquidity to healthier levels."

11 Moody's acknowledged positive aspects of the Commission's surcharge order but also
12 described their reservations:

13 "Moody's has downgraded these ratings despite the Washington
14 Utilities and Transportation Commission's (WUTC) recent
15 approval of a 25% temporary electric rate surcharge for Avista,
16 covering the period from October 1, 2001 to December 31, 2002.
17 The surcharge is less than the 36.9% requested, is in effect for 15
18 months versus the 27 months requested, and is subject to refund,
19 pending a prudence determination expected to be part of the
20 general rate case that Avista is mandated to file by December 1,
21 2001. Also, of particular concern to Moody's is the fact that the
22 existing energy cost deferral mechanism is being eliminated
23 effective December 31, 2001."

24 Standard & Poor's announced downgrades to Avista's credit ratings on October 10, 2001,
25 with unsecured debt rated at BB+, which is also below investment grade. S&P's comments were
26 similar to the other rating agencies. S&P emphasized the remaining uncertainties related to
27 deferred power costs by stating:

28 "Avista plans to address the unrecovered deferred balances, the
29 ability to defer additional power costs, and the ability to share
30 power costs with ratepayers in the upcoming general rate case
31 filing, which is to be submitted by Dec. 1, 2001. However, the
32 WUTC may take up to 11 months to respond, thereby creating
33 considerable uncertainty as to the final outcome. The company's
34 precarious position is further emphasized by the fact that as part of
35 the rate filing, the WUTC will examine the prudence of the

1 deferred power costs and retain the authority to order a refund of
2 the amounts recovered, if necessary.”

3 Q. Please explain the ratings for Avista’s unsecured debt, secured debt, and other
4 securities and what the implications of these ratings are in terms of the Company’s ability to
5 access financial markets and the Company’s financial health.

6 A. Avista’s credit ratings by the three principal rating agencies are summarized in
7 Exhibit __ (JEE-2). For each type of investment a potential debt-holder could make, the investor
8 looks at the quality of that investment in terms of the risk they are taking and the legal priority
9 that they would be repaid in the event that the organization is unable to meet all its obligations.
10 Investment risks include the likelihood that a company will not meet all its obligations related to
11 that debt, both in terms of timeliness and amounts owed for principal and interest. Secured debts
12 receive the highest ratings and legal priority for repayment and, hence, have the lowest relative
13 risk. The highest risk securities are generally common equity shares since they have no priority
14 for payment over other creditors.

15 The October 2001 Moody’s and S&P downgrades placed the Company’s unsecured debt
16 in the high yield or “junk bond” classification. The Company’s debt that is secured by first
17 mortgage bonds retained investment grade ratings, although it is now at Moody’s and S&P’s
18 lowest investment grade levels. The immediate impact of the downgrade is to increase the cost
19 of both existing and future borrowing. As shown on Exhibit __ (JEE-3), the Company is now
20 incurring approximately \$2.2 million of incremental annual costs to borrow under its existing
21 line of bank credit as a result of the credit ratings downgrades. The credit line has provisions that
22 require increased interest rates for amounts borrowed and higher commitment fees based on
23 lower credit ratings. In addition, the Company had to obtain waivers from the banks to be

1 permitted to continue borrowing. The waivers involved fees of \$550,000 and the addition of a
2 secured interest in the Company's property.

3 The downgrade also increased costs associated with the unsecured medium term notes
4 issued in August 2000. The cost of these notes increased \$875,000 on an annual basis, as shown
5 on Exhibit __ (JEE-3). These notes have an interest rate adjustment mechanism that is triggered
6 by the below-investment-grade credit ratings that are now assigned to the Company. In addition,
7 the annual cost of the Company's Colstrip pollution controls bonds will increase by
8 approximately \$2.4 million because of the ratings downgrade. The cost of the Company's
9 accounts receivable financing program was also increased because of credit ratings downgrades.

10 In total, the downgrades have caused an immediate cost to the Company on an annualized
11 basis of at least \$5.5 million. In addition, the increased interest cost on \$400 million of debt
12 issued earlier in 2001 was approximately \$8.0 million annually. With Avista's estimated annual
13 base retail revenues of \$360 million, these increased costs, by themselves, are equivalent to a
14 required 3.8% rate increase to customers. It is in the best interest of customers for the
15 Commission to act quickly to reduce uncertainties related to deferred cost recovery.

16 The downgrades also limit the Company's access to the credit market. During times of
17 credit stress, which is now the case across the U.S. capital markets, the available capital is
18 allocated first to the highest quality borrowers. Companies with lower credit ratings have more
19 restricted choices for credit, besides being at higher cost commensurate with the perceived risk.

20 Q. How easily can Avista regain an investment grade credit rating?

21 A. Improved credit ratings are only likely if the Company's financial strength and its
22 outlook improve for a sustained period of time. The rating agencies tend to view uncertainties as
23 negative events, not just a possibility of a negative event or trend. The Company will need to

1 demonstrate improved cash flow from operations, and have regulatory mechanisms in place that
2 will provide more certainty that positive cash flows from operations will continue. The
3 Company's heavy debt load needs to be reduced, such that interest coverage is improved and
4 there is a higher degree of confidence that the assets the debt proceeds were used for (in this case
5 deferred energy costs) will be producing positive cash flows in the future. The effort and
6 sustained performance required to return Avista's credit ratings to investment grade levels will be
7 quite difficult, will take time, and can be achieved only by having the ability to recover the costs
8 associated with serving its customers.

9 Q. How does the credit rating downgrade impact Avista's ability to attract investors?

10 A. There are significant negative impacts. First, it will be even more difficult to access
11 unsecured debt, including bank lines, on a reasonable basis. We have been required to put first
12 mortgage bonds in place to support the bank credit line and to allow us to continue to borrow
13 under that line of credit. Our commercial banks will no longer lend to us without specific
14 security and more restrictive covenants.

15 Second, many institutions in the country are now precluded from buying Avista's debt.
16 Many institutions have strict guidelines against investing in debt that is below investment grade.
17 Usually they are not required to sell any holdings they have at the time of a downgrade, but most
18 will not be able to invest in Avista's unsecured debt instruments until ratings again return to
19 investment grade.

20 Our commercial banks have asked for additional information and assurances as we move
21 forward. While we have begun conversations with them about renewal of the line next year, as I
22 stated earlier, I believe that some of our current banks will not continue to be a part of the line,
23 even with the backing of first mortgage bonds. Their reluctance is due in part to the level of our

1 credit ratings, as well as the continued negative forward outlook by the rating agencies. Like the
2 rating agencies, the banks have also expressed concerns about the opportunity for Avista to
3 recover the expenses necessary in providing utility service and to maintain adequate credit
4 support and financial flexibility.

5 Q. Are there other impacts on bank-related financing?

6 A. Yes. We have had meetings with Wachovia, our current provider of accounts
7 receivable funding. The accounts receivable funding has been in place with them for over three
8 years and is one of our least cost sources of financing. Even before the most recent ratings
9 downgrade, Wachovia required a number of changes in the accounts receivable facility to permit
10 continued access to this very cost-effective source of cash. Even though the funding is secured
11 by the Company's accounts receivable balance, Wachovia is raising the costs of the financing
12 along with implementing other steps to place additional control on the Company having access to
13 the cash. Wachovia reduced the maximum amount of accounts receivable financing from \$125
14 million to \$90 million after the most recent credit ratings downgrades. Wachovia also insisted
15 that the expiration date for the current accounts receivable financing be accelerated from
16 September 2002 to May 2002, to coincide with the bank credit facility renewal.

17 Although we have not started a specific dialogue with Wachovia about renewing this
18 financing facility, it is already clear that the downgrade, coupled with the remaining uncertainty
19 related to the recovery of electric deferral balances, will make it more difficult to renew this very
20 cost-effective financing mechanism. In fact, if there are not significant actions taken by early
21 2002, it is possible that Wachovia will be unwilling to renew the facility. If that is the case and
22 we are unsuccessful in finding a new provider, we will have to repay the \$40 million that is
23 projected to be outstanding at the end of May 2002, placing an additional burden on the

1 Company's liquidity. Wachovia, or any bank for that matter, has limits on the amount of below-
2 investment-grade exposure they can have in their loan portfolio. So even if they like the
3 Company's prospects and even though the financing has excellent collateral, they may still be
4 unable to offer the facility to Avista until our credit ratings are investment grade.

5 A quick decision on the prudence issue relating to the deferral balances is a critical factor
6 as Avista attempts to renew our accounts receivable financing and line of credit on reasonable
7 terms. These are crucial steps in laying the foundation on which to rebuild the financial strength
8 of the Company.

9 Q. Are Avista's credit rating downgrade impacts limited to reactions from investors
10 and the investment banking community?

11 A. No. The Company relies on many suppliers and contractors for day-to-day
12 operations. As an active participant in regional power markets, in order to assure reliable power
13 and natural gas supplies and to effectively manage energy resources, Avista routinely buys and
14 sells energy by transacting with other parties. Many of these parties monitor credit quality at
15 least in part on the basis of rating agency reports. Avista has traditionally enjoyed the ability to
16 conduct transactions in these markets with unsecured credit terms. A deteriorating credit rating,
17 however, can trigger counterparties to reduce open credit limits, to require enhanced credit terms,
18 or to simply curtail new transactions with Avista. As of November 8, 2001, Avista had \$3.8
19 million of collateral posted to energy suppliers to satisfy their requests for adequate assurance as
20 a result of the Company's lowered credit ratings, which reduces the amount of cash borrowing
21 capacity under our credit line. In addition, several energy companies have suspended authority to
22 do business with Avista. To avoid additional collateral posting, we have flattened our positions

1 by buying and selling energy very selectively to stay within tighter credit limits, and we continue
2 to negotiate with other parties who have made adequate assurance inquiries.

3 Q. Have concerns been expressed recently from members of the financial community
4 other than rating agencies and commercial banks?

5 A. Yes. Wall Street research analysts have expressed ongoing concern regarding the
6 uncertainty of recovery of costs in the State of Washington. Exhibit __ (JEE-4) includes several
7 recent analyst reports, which include the following observations:

8 A.G. Edwards & Sons, Inc., October 31, 2001: "We remain
9 concerned about the company's increased debt level and the
10 uncertainty of deferred power cost recovery in Washington
11 inherent in the WUTC's September order."

12 Merrill Lynch, November 2, 2001: "...we think regulators will be
13 hard pressed to grant much near term rate relief." Also: "...
14 Avista's \$270M in unrecovered energy purchase costs is a serious
15 overhang that has already hurt the company's credit quality."

16 In addition, Avista's stock has performed very negatively as compared to the utility
17 indices and the S&P 500 since September. As of November 7, 2001, our common stock price
18 had declined 21.6 percent since the surcharge order was received, compared to a 6.3 percent drop
19 in the Dow Jones utility index and an 11 percent increase in the Dow Jones industrial average in
20 the same period. Much of the drop can be attributed to investor concern over next year's
21 earnings, and particularly the lack of earnings from the utility. The shortfall in utility returns is
22 driven almost entirely by under-recovery of expense in Washington electric business, since we
23 have tracking mechanisms for natural gas commodity costs and an ongoing electric power cost
24 adjustment mechanism in Idaho.

25 Q. Please review other actions between Avista and the investment community since the
26 surcharge order.

1 A. We have continued to discuss with our investment bankers the possible timing of
2 issuing common stock. The message from investment bankers, however, has been very
3 consistent: Avista cannot access the common equity market at this time, given the uncertainties
4 it faces. Despite the surcharge recently ordered by the Commission, Avista has the uncertainty
5 surrounding the prudence and recoverability of approximately \$200 million of deferred costs in
6 the Washington jurisdiction. In addition, since deferrals of power supply costs in Washington
7 will cease on December 31, 2001, Avista faces uncertainty about our ability to absorb the
8 continued volatility in the electric commodity market. The markets do not like uncertainty and
9 they consistently penalize those companies that have any significant uncertainties surrounding
10 them, especially if it is uncertainty related to their operating cash flows.

11 We must clearly and decisively deal with the prudence and recoverability of
12 approximately \$200 million of deferred costs we have incurred to provide service to customers
13 through September 30, 2001.

14 Q. Does the Company still need to access financial markets if it is not going to own all
15 of the Coyote Springs 2 project and, if so, for what purposes?

16 A. The Company must have adequate cash flows to fund operations, capital expenditures,
17 and maturing debt.

18 As I previously explained, even in normal years, the utility's annual operating cycle
19 requires more funds through certain quarters because power and gas is obtained and delivered
20 well before collections are received from customers.

21 Capital expenditures are a normal part of utility operations, even without adding to
22 generating capacity. Customers are added to the service area, roads are relocated and require
23 existing facilities to be moved, and facilities continue to wear out and need replacement. These

1 and other requirements create the need for significant capital expenditures each year. Many of
2 the commitments made in the past to provide quality customer service and to respond to license
3 requirements at the Company's hydroelectric facilities cannot be dropped.

4 Previous borrowings are coming due, and ongoing credit facilities expire and need to be
5 renewed. A summary of maturing debt and credit facility renewals is shown in Exhibit __ (JEE-
6 5). From now through the second quarter of 2002, \$94 million is required just to refund
7 maturing obligations, assuming that the maturing bank credit line and accounts receivable
8 financing are renewed without interruption. If the bank line or accounts receivable financing
9 cannot be renewed, the capital required for "maturities" would increase by the balance
10 outstanding under those facilities, which is expected to reach over \$100 million as of June 30,
11 2002.

12 Q. Can Avista work its way out of the financial problems you have outlined?

13 A. Yes, but we need to begin removing the obstacles and uncertainties one by one. One
14 of these uncertainties is the subject of this filing – the determination of the prudence and
15 recoverability of previously incurred power costs. As outlined elsewhere in this testimony and in
16 previous proceedings (for example, Gary Ely's testimony in the recent power cost surcharge
17 case), the Company is aggressively managing its cash flows and seeking access to funds to
18 sustain us through this difficult period.

19 Q. What does the Company need from the Commission in this proceeding?

20 A. It is critically important that the Commission reach an expedited decision regarding
21 the prudence of costs already incurred so that Avista may take the necessary steps toward
22 restoring a sound financial base for serving customers. We need to show the financial
23 community and our investors that the \$200 million we have spent for deferred power costs is a

1 recoverable expenditure. We need to demonstrate certainty of future cash flows. In this filing we are
2 seeking a ruling on the narrow issue of \$198.5 million of costs that were deferred through
3 September 30, 2001. With approval of this filing, a portion of the uncertainty that is presently a
4 concern to the financial community can be resolved timely as we enter a crucial period of
5 renewing the Company's credit line, renewing its accounts receivable financing, and preparing to
6 issue equity securities.

7 The Commission's decision on prudence of the deferred costs does not change cash or
8 earnings, nor does it change current rates to customers. However, what it will do is reduce the
9 uncertainty of future cash recovery of those costs.

10 Q. Does that conclude your direct pre-filed testimony?

11 A. Yes, it does.